

## Message Text

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44

ACTION ARA-17

INFO OCT-01 ADP-00 EB-11 COME-00 INT-08 TRSE-00 OMB-01

GSA-01 OEP-01 CIAE-00 DODE-00 PM-07 H-02 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-12

OPIC-12 SIL-01 LAB-06 AID-20 RSR-01 /144 W

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R 201658 Z JUN 73

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 282

C O N F I D E N T I A L CARACAS 5347

EO 11652: GDS

TAGS: EMIN VE

SUBJECT: REFUSAL OF VENEZUELAN MINISTER OF MINES TO  
CONSIDER AMERICAN PROPOSAL FOR DEVELOPMENT  
OF NICKEL DEPOSITS

1. YESTERDAY AT HIS REQUEST MINISTER OF MINES PEREZ  
LA SALVIA ASKED FRANCIS THOMAS, LOCAL REPRESENTATIVE OF  
D. K. LUDWIG INTERESTS, TO CALL TO DISCUSS LUDWIG'S PROPOSAL  
FOR A NEW ELECTRONIC PROCESS FOR THE EXTRACTION AND REFINING OF  
VENEZUELA'S EXTENSIVE DEPOSITS OF LOW- GRADE NICKEL ORE.  
FOR SOME YEARS PAST, THIS POTENTIAL CONCESSION HAS BEEN IN  
THE HANDS OF THE FRENCH COMPANY LE NICKEL, BUT BOTH BECAUSE  
OF INADEQUATE FINANCING AND AN ANTIQUATED PROCESS, IT SEEMS  
CLEAR THAT THE FRENCH WILL NOT BE ABLE TO GO AHEAD WITH THEIR  
PROPOSED CONCESSION.

2. YESTERDAY'S INTERVIEW PEREZ AND THOMAS WAS  
MOST UNPLEASANT. PEREZ TOOK A BELLIGERENT AND NATIONALISTIC  
STANCE, SAYING THAT VENEZUELA WAS A COUNTRY OF FULL  
EMPLOYMENT ( OBVIOUSLY UNTRUE), THAT IT DID NOT NEED FURTHER  
DEVELOPMENT OF MINES, AND THAT IN FACT IT WOULD BE WISE TO KEEP  
ITS MINERAL ASSETS, INCLUDING IRON ORE, OFF THE MARKET AS A  
RESERVE FOR FUTURE GENERATIONS . HE SPECIFICALLY REJECTED THE  
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LUDWIG- THOMAS BID FOR EXPLOITATION OF THE NICKEL DEPOSIT. HE THEN WENT ON TO OBITER DICTA ON HOW THE US HAD ACTED INJURIOUSLY TO THE MINERAL INTERESTS OF A NUMBER OF SOUTH AMERICAN COUNTRIES, INCLUDING CHILE, PERU, ECUADOR, AND BRAZIL. HERE PEREZ LA SALVIA APPARENTLY GOT MUDDLED AS TO US ACTIVITIES IN THE DIRECT EXTRACTION OF MINERALS AND RECENT USG DECISIONS TO REDUCE THE STRATEGIC STOCK PILE.

3. ALL IN ALL, IT WAS A MOST DISGRACEFUL PERFORMANCE, BUT PROBABLY MORE AN INDICATION OF THE MINISTER' S OWN LIMITATIONS THAN OF WHAT EVENTUAL FUTURE POLICY THE NEXT VENEZUELAN ADMINISTRATION WILL ADOPT. PERHAPS THE MOST REVEALING COMMENT ON YESTERDAY' S INTERVIEW WAS MADE TO THOMAS BY GENERAL RAFAEL ALFONZO, PRESIDENT OF THE CORPORACION VENEZOLANA DE GUAYANA, WHO SAID " PEREZ HAS BEEN A FAILURE AS MINISTER OF MINES DURING THE FIVE YEARS HE HAS BEEN IN OFFICE." MCCLINTOCK

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\*\*\* Current Handling Restrictions \*\*\* n/a

\*\*\* Current Classification \*\*\* CONFIDENTIAL

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